



## Calhoun: The NPS Institutional Archive

---

Institutional Publications

Naval Postgraduate School Barometer

---

1970

# Naval Postgraduate School Business School Barometer '70 / v.3-5

Monterey, California. Naval Postgraduate School

---

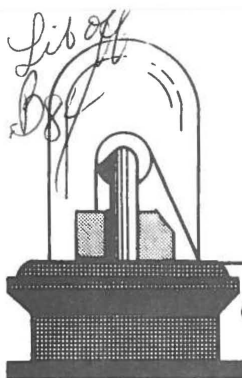
<http://hdl.handle.net/10945/50119>



Calhoun is a project of the Dudley Knox Library at NPS, furthering the precepts and goals of open government and government transparency. All information contained herein has been approved for release by the NPS Public Affairs Officer.

**Dudley Knox Library / Naval Postgraduate School**  
**411 Dyer Road / 1 University Circle**  
**Monterey, California USA 93943**

<http://www.nps.edu/library>



LIBRARY-NAVAL  
POSTGRADUATE  
SCHOOL

Naval Postgraduate School

Nov 4 1970

# BUSINESS BAROMETER '70

VOL. III, No. 5

## THE FITZHUGH REPORT AND THE STATE OF MANAGEMENT SCIENCE

Once again, the organization of the Department of Defense has been thoroughly criticized. This time, the criticism has come from a committee appointed by the Executive Branch rather than Congress. The difference in source, alone, should yield a different view; Congress has tended to specialize in revealing for public titillation the more emotionally arousing features of weapon system procurement. By contrast, the "Blue Ribbon Defense Panel" has attacked such issues as inter-service rivalry and unnecessary duplication; excessive centralization of authority; fractionated military command structure; best civilian-military interface, among many others. In fact, there are seemingly few areas of military administrative organization whose assessment the committee has not felt lay within the scope of their competence.

Further, the Committee has not been at all restrained in their recommended corrective actions. They strongly recommend, for example, a reduction in the Secretary of Defense Staff from its 3500 to 2000 personnel, along with the smaller staff performing some major additional functions. It is even hinted that it may be desirable to abolish the distinction between the three service branches!

It is proper to ask: Who are these people on the "Blue Ribbon Committee?" How can we know that their recommendations should be given any credibility? In fact, where should one go to find experts who have a sufficient knowledge of the complexities of organizational variables and their causal relationships that they can specify what values should be assigned to the variables to assure "correct" results?

One might expect to find a committee composed of academicians, especially those drawn from Departments of Management at the leading Schools of Business Administration. No such persons are on the committee. The Committee Chairman, Mr. Gilbert W. Fitzhugh, is the Chairman of the Board of the Metropolitan Life Insurance Company. Two committee members, one a woman, are attorneys. Another member is a former professional football player. Most of the remaining of the 16 committee members are presidents of medium size U. S. corporations. Now if some grave social question that involved the correct interpretation of some physical phenomenon were to arise, it is very likely that a committee of well-known Ph.D.'s in Physics would be formed. If an epidemic should occur, the community should certainly take recourse for understanding in members of the medical profession. But the organization for administering the nation's military effort is evaluated by a different standard and upon a different set of premises. The situation is entirely analogous to the process by which an inquisition into the validity of Galileo's new concepts of space mechanics was held: Known experts in theology were selected to conduct the evaluation.

It would appear, therefore, that the appeal for outside review reflects either or both of two factors: (1) The current DOD organization does not possess sufficient self-correcting features, so that any occurrence of a deviate management practice is simply perpetuated, or (2) The status of the science of management is so deficient that not only is it impossible for any such experts to exist within a governmental organization, itself, but they exist only among successful practitioners of American business enterprise.

This is not to question the sincerity of the committee members. Galileo's interrogators were of unquestionable sincerity. Rather, the conclusions of the report are not derived in any known scientific manner, and are not substantiated in conformance with the accepted standards of scientific investigations.

But a promise of an objective and rigorous science of management is contained in the report, and appropriately enough, in a Dissenting Statement written by committee-member, Professor George J. Stigler of the University of Chicago, one of the most respected economists in the country. His points are simple (their order has been changed for clarity): "The administrative problems posed by DOD arise in good part because (a) Many of the prices put on DOD's inputs (conscripted troops, rent free lands, etc.) are wholly incorrect measures of the scarcities of these inputs, (b) Its central product - military efficiency - cannot be easily measured in peacetime and therefore rewarded, (c) Competition between the services should in general be encouraged rather than deplored."

One implication of the above quotation is significant. It is the only place in the report where the deductions from a specific logical structure - the science of economics in

---

THE FITZHUGH REPORT AND  
THE STATE OF MANAGEMENT EDUCATION (CONT.)

this case - are used to form the basis for policy recommendation. Professor Stigler implies that if any organization is to efficiently produce a product, then the scarcity of the inputs must be related to their scarcity in the whole economy: The organization must have an information flow and decision-making apparatus which results in choices that are equivalent to what would have occurred if a free market exchange were possible.

Most of the significant organizational development within DOD during the last ten years have been initiated by economists who applied the analytical techniques of economics to non-market situations. Weapon system design procedures, force structure composition and levels, as well as the more mundane components of military administrative apparatus, have been profoundly shaped by applications of economics methodology.

But social inertia is extremely high. The high productivity of the science of economics, especially the more rigorous quantitative methods, has not as yet been fully reflected in either the composition of "Blue Ribbon Committees" or the instructional content of Schools of Business Administration. There is still much reliance upon the traditional and vacuous "principles of management"--the 14 rules of administration; the 5 rules of management success; the 34 advantages and 32 disadvantages of some ephemerally defined management device, etc. These pre-scientific approaches to knowledge will all disappear into the intellectual garbage pail, along with inquisitions, phlogiston, ether and the sun spot theory of wars.

It is reasonable to expect that the "Fitzhugh Committee of 1980" will largely consist of academicians and their report, while largely a literary exposition, will substantiate its deduced recommendations by extensive footnotes to the literature. Further, by 1990, it is most probable that any such study will consist of little more than a few pages of differential-difference equations, with considerable references to the computer routines and data banks by which their explicit evaluation was accomplished. There is considerable certainty that these future equations will be derived from the corpus of current economics, for the field constitutes the only source of definition of an optimum output (such as military effectiveness) level and the means of fabricating the administrative structure that will most efficiently yield the desired level of output.